



บริษัท แฮลเซียน เทคโนโลยี จำกัด (มหาชน)  
HALCYON TECHNOLOGY PUBLIC CO., LTD.

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Subject: Management Discussion and Analysis for the Nine-Month Period Ended 30 September 2021

To: Directors and Managers  
The Stock Exchange of Thailand

Halcyon Technology PLC. ("the Company") and its subsidiaries had the operation results for the nine-month period ended 30 September 2021 with the following details:

unit: THB million	2021	2020	Change (THB mill.)	Change (%)
Revenue from Sales and Service	809.61	673.24	136.37	20.26%
Total Revenue	836.49	680.89	155.60	22.85%
Net Profit for the Year	118.71	42.12	76.59	181.85%
Net Profit for Shareholders of the Company	102.64	38.49	64.15	166.69%

Operating results for each business segment are shown below:

1. Manufacturing and Selling of Special Cutting Tools

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	441.14	368.01	73.13	19.87%
Net Profit for the Period	83.25%	23.74	59.51	250.69%

2. Importing and Selling of Cutting Tools

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	337.26	255.15	82.11	32.18%
Net Profit for the Period	28.64	15.28	13.37	87.49%

3. Manufacturing and Selling of Tooling and Metal Fabrication

unit: THB million	2021	2020	Change (THB million)	Change (%)
Revenue from External Customers	31.22	50.08	-18.86	-37.66%
Net Profit for the Period	6.81	3.10	3.71	119.70%

For the nine-month period ended 30 September 2021 (Q3/2021), the Company and its subsidiaries had a total revenue of 836.49 million baht, increasing 155.60 million baht, or 22.85% from the same period in 2020. Revenue from sales and service was 809.61 million baht, increasing 136.37 million baht, or 20.26% from the same period in 2020.

The Manufacturing and Selling of Special Cutting Tools segment had revenue from external customers of 441.14 million baht in Q3/2021, increasing 73.13 million baht, or 19.87%, from the previous year. This segment includes sales from the Company, subsidiary in Vietnam, Halcyon Technology Vietnam Co., Ltd. or "HV"; and a new subsidiary, Mastertech Diamond Products Company

or “MDP”, in the US, which was consolidated for the first time in Q2/2020. In Q3/2021, MDP had revenue from external customers of 125.07 million baht, compared to 47.79 million baht in the previous year, increasing 77.28 million baht, which is the main reason for the growth in revenue in this segment from the previous year.

However, the revenue from the Company and subsidiary HV also increased from last year, where there was less production in the industrial sector, especially in the country, as a result of the first outbreak of COVID-19. The Company had revenue from external customers in Q3/2021 of 275.69 million baht, increasing 33.77 million baht from the previous year. This is due to the recovery of the Hard Disk Drive sector in the country, which is the Company’s main target customers, after the COVID-19 situation was starting to resolve as well as the relocation of production base back to Thailand in the recent years. Customers in the HDD sector had increased orders beginning from Q3-4 of last year and continuing through Q2/2021. While in Q3/2021, the new outbreak of COVID-19 caused the revenue in July-August to drop slightly, before bouncing back to normal in September. The subsidiary in Vietnam, HV, had a revenue from external customers of 31.15 million baht in Q3/2021, increasing 9.23 million baht from the same period last year. Vietnam was not affected much by the COVID-19 situation, and HV has been continuously increasing its capacity and production capabilities.

The Importing and Selling of Cutting Tools segment had revenue from external customer of 337.26 million baht in Q3/2021, increasing 82.11 million baht, or 32.18%, from the previous year. Revenue in this segment includes sales from 7 trading subsidiaries in Thailand and overseas, including the subsidiary in the Philippines, Halcyon Technology Philippines Inc. (“HP”), which had closed its factory and fully converted to a trading company. HP has been moved from the Special Cutting Tools segment into this segment in Q2/2021. Most of the customers for this segment are those in the automotive sector, which was starting to recover from the economic effects of COVID-19 in Q1/2021. Therefore, we are starting to see some continuous growth in revenue in Q2-3/2021.

The Manufacturing and Selling of Toolings and Metal Fabrications segment, which is solely from Halcyon Metal Co., Ltd. or “HM”, in Q3/2021 had a revenue to external customers of 31.22 million baht, decreasing 18.86 million baht, or 37.66% from the previous year. The drop in revenue from this segment is a result of its main aerospace customer in the US reducing orders due to drastically less production as an effect of COVID-19. However, the company had seen signs of partial recovery since March 2021, so the revenue from external customers increased from 7.76 million baht in Q1/2021 to 10.53 million baht in Q2/2021 and 12.94 million baht in Q3/2021. The company expects to see continuous growth in the future, even though the sales may not reach the normal level as the aerospace industry still requires time to recover.

Overall, in for the nine-month period ended 30 September 2021 (Q3/2021), the Company and its subsidiaries had a net profit of 118.71 million baht and net profit for the shareholders of the Company of 102.64 million baht. Net profit margins were 14.19% and 12.27% of the total revenue respectively (compared to 6.19% and 5.65% in the previous year). Net profit margins for each business segment are shown below:

<b>Net Profit Margin (to Total Revenue)</b>	<b>2021</b>	<b>2020</b>
Manufacturing and Selling of Special Cutting Tools Segment	18.11%	6.33%
Importing and Selling of Cutting Tools Segment	8.30%	5.98%
Manufacturing and Selling of Tooling and Metal Fabrications Segment	21.55%	6.12%
<b>Total</b>	<b>14.19%</b>	<b>6.19%</b>

The Company and subsidiaries in the Special Cutting Tools segment has shown significant growth in net profit margin from 6.33% to 18.11% of the total revenue. This is mainly due to increase in revenue and the consolidation of MDP. MDP also had a special one-time income of 8.2 million baht from government as compensation for the effects of COVID-19 in Q1. The Company also implemented cost reduction policy during the first outbreak of COVID-19 in Q2-3 of the previous year, which resulted in reduction in the proportion of production costs and expenses. These includes laying off some employees and less working hours, resulting in lower labor costs and overtime paid.

This segment had an increase in gain from foreign exchange of 2.23; a decrease in financial costs of 2.26 million baht; and an increase in tax expenses of 5.68 million baht compared the previous year.

In Q3/2021, the Importing and Selling of Cutting Tools segment had an improved net profit margin of 8.30%, compared to 5.98% of the total revenue from the previous year. This is due to the increase in sales from the previous year. However, there is an increase in total expenses of 21.67 million baht, mainly from the move of HP from the Special Cutting Tools into this segment. Furthermore, this segment had an increase in foreign exchange of 5.12 million baht; a decrease in financial cost and tax expense of 0.17 million baht.

In the Tooling and Metal Fabrications segment, net profit margin also improved significantly from 6.12% to 21.55% of the total revenue. This is also mainly due to the cost reduction policy during COVID-19, similar to the Company's; while this segment had a decrease in gain from foreign exchange of 0.26 million baht and an increase in tax expenses of 1.05 million baht.

As the COVID-19 situation both in the country and globally starting to resolve, the Company expects the growth in revenue for the year 2021 to close to 20% from 2020 (previously targeted at no less than 10%) under the assumption that there are no new outbreak or other unexpected events in Q4. This is due to the satisfactory operating results in the past nine months, as well as the recovering trend of the industrial sector, where the production output from main customers are reaching normal level after slowing down in July-August. Furthermore, the Company is expecting growing revenues from the manufacturing plants in the US and Vietnam from the increased production capacity this year.

Please be informed accordingly.

Sincerely Yours,

Mr. Pete Rimchala  
Managing Director